



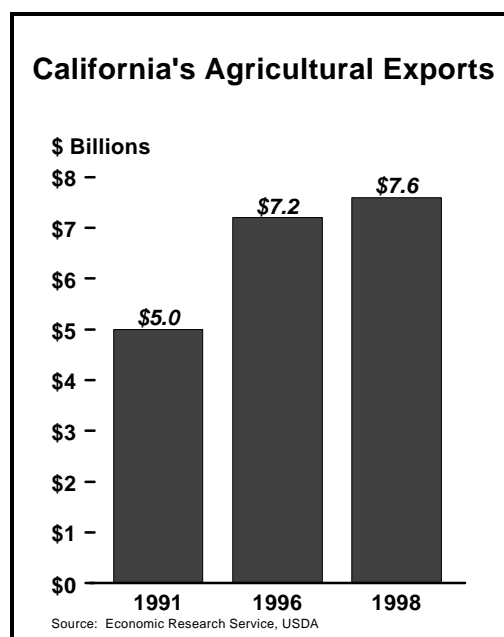
U.S. Department of Agriculture  
Foreign Agricultural Service

### *Permanent Normal Trade Relations with China* **What's at Stake for California?**

California is the largest producer of agricultural products and the top exporter. It also boasts the second largest timber industry. Farm cash receipts totaled \$24.6 billion in 1998, and state forest industry shipments were \$6.6 billion in 1996. As for exports, the value of agricultural products leaving the state was estimated at \$7.6 billion in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

#### **Trade Benefits**

The following key products are important to California, and expected to reap some of the largest agricultural export gains from China's accession to the World Trade Organization (WTO).



- P Vegetables**--As the leading vegetable-producing state, California vegetable exports worldwide were estimated at \$1.9 billion in 1998. Under its WTO accession agreement, China's tariffs on vegetables will drop up to 60 percent, depending on the product, by 2004. For example, existing tariffs of 16 percent on lettuce and 13 percent on broccoli, celery, frozen sweet corn, and mixed vegetables will fall to 10 percent. Tariffs on canned tomato paste will fall from 25 percent to 20 percent. Deeper cuts are planned for canned sweet corn and tomato ketchup. Tariffs on these products, now set at 25 percent and 30 percent, will fall to 10 percent and 15 percent, respectively.
- P Fruit**--California is also the leading fruit-producing and exporting state, with worldwide exports estimated at \$1.7 billion in 1998. Under its WTO accession agreement, China will reduce tariffs by 70 percent on fresh citrus fruit by 2004 as tariffs of 40 percent on oranges, grapefruit, and lemons will drop to 12 percent. In addition, as a result of the 1999 U.S.-China bilateral agreement, China committed to lifting its import ban on California citrus. Tariff reductions of up to 57 percent are scheduled for citrus and other fruit juices. For fresh and processed deciduous fruit, tariff reductions of up to 75 percent are scheduled. Tariffs on pears, fresh and canned peaches, and jams and jellies will fall from 30 percent to 10 percent; tariffs on plums, raisins, and grapes will fall from 40 percent to 10-13 percent; and the tariff on wine will fall from 65 percent to 20 percent.
- P Tree Nuts**--California is also the leading exporter of tree nuts, with worldwide exports estimates at \$1.1 billion in 1998. Under its WTO accession agreement, China's tariffs on key tree nuts will drop by 33-71 percent by 2004. Specific reductions include: shelled almonds and hazelnuts (30 percent to 10 percent); pistachios (35 percent to 10 percent); shelled and canned walnuts (30

percent to 20 percent); and other canned nuts (30 percent to 13 percent).

- P Cotton--**California ranks as the second leading cotton-exporting state, with worldwide exports estimated at \$376 million in 1998. China is the world's largest consumer and producer of cotton, and one of the largest overseas markets for U.S. cotton. Under its WTO accession agreement, China will establish a tariff-rate quota (TRQ) on cotton of 743,000 metric tons, which will grow to 894,000 metric tons by 2004. Imports under the TRQ will be charged a nominal 1-percent tariff and private traders will be permitted to handle two-thirds of imports under the TRQ. In 1998, China imported less than 200,000 metric tons of cotton from all countries. China's commitment to end export subsidies will reduce its price competitiveness in other markets.